WLGA Council **Item 6**

27th November 2020

EU TRANSITION UPDATE

Purpose

1. To provide an update on the latest position regarding the ending of the EU transition period and report on the materials produced by WLGA to assist local authorities in their preparations.

Background

2. The UK left the EU on 31st January 2020. A transition period has been underway which lasts until 31st December 2020. During this period the UK and EU have been negotiating their future relationship including, critically, their future trading relationship.

3. The onset of the Covid crisis has diverted attention from the issue of EU transition but, with time now running out, it is important that local authorities pick up the pace of their preparations once more.

4. A report to Leaders on 6th November provided an update on latest developments in negotiations between the UK Government and the EU. It also referred to three forthcoming pieces of work, commissioned under the WLGA's EU Transition Support Programme, to assist local authorities in updating their risk assessments and their preparations generally.

Latest state of play in negotiations

5. At the time of writing, the expectation is that the outstanding issues hampering agreement (fishing, dispute resolution and the level playing field) will be discussed at a virtual EU summit on 19th November. That had been viewed as the latest possible date for a deal to be agreed and to undergo all necessary ratifications. However, 10th December is now being seen as the absolutely final date by which a deal would need to be completed and translated into all EU languages. Such timing would necessitate a special session of the European Parliament, possibly between Christmas and New Year.

6. The UK Internal Market Bill has added to the tension between the EU and UK Government as, amongst other things, it proposes changes to the Withdrawal Agreement already signed with the EU. The EU has demanded that certain clauses in the Bill are removed. In the House of Lords Members voted to remove key clauses designed to enable changes to the Withdrawal Agreement in relation

to the Northern Ireland protocol and state aid. The UK Government has committed to reintroduce these in the House of Commons. It is possible, though, that they may yet decide not to do so, if this can form part of an agreement negotiated on trade and the operation of the Northern Ireland border.

7. On 11th November Welsh Government issued its End of Transition Action Plan. It sets out key challenges and priorities including:

    - The economic impact of no trade deal or a limited deal (compounded by the effects of Covid)
    - The need for 'data adequacy' agreements with the EU to enable the continued free flow of personal data
    - The need to ensure resilience of supply chains for critical goods
    - Legislative and operational work needed, especially in relation to new border controls
    - Funding requirements to deal with challenges faced and in relation to the replacement of EU funding
    - Resolving issues around future involvement in a range of EU programmes
    - Maintaining good communications with all stakeholders
    - The need for effective joint work between UK Government and Welsh Government.

Materials produced to assist local authorities

8. Under the WLGA's EU transition support programme, consultants Grant Thornton were commissioned to:

    - research the implications for Wales of 'no trade deal' and 'slim trade deal' outcomes

    - produce 'dashboards' identifying impacts and vulnerabilities at the local authority and regional levels, to update those produced for Brexit last year

    - refresh a toolkit/checklist they developed last year, which many local authorities drew on to help with their preparations.

9. All of those materials have now been produced and shared with Leaders, Chief Executives and EU transition co-ordinators in every local authority.

10. Some of the 'headlines' from the trade research are as follows:

    - If there is no trade deal. we could see a 19% reduction (worth £3.5b) in exports from Wales p.a.
    - A slim trade deal, with rolled over deals with other no-EU countries, could still see a 6% reduction (£1.1b p.a.)
    - A broad estimate of 27,700 jobs could be lost if no trade deal is reached; 8,800 if there is a slim deal (based on various assumptions)

- North East Wales is particularly vulnerable to reduction in goods exports due to the relatively high manufacturing base
- Service exports (often associated with goods being exported) are not considered in detail in the report but they too will be affected by the ending of the transition period (e.g. service businesses may need to develop new contracts with differing clauses and/or may need to consider setting up a physical presence within the EU)
- Levels of preparedness for the ending of the transition period amongst companies (especially small companies) are generally low. They have faced additional and unexpected pressures as a result of Covid, and this has added another dimension to risk assessments they might have undertaken last year.

11. The 'dashboards' provide data, charts, maps and information relating to each local authority area and cover issues such as:

    - Number of non-UK EU residents
    - Community vulnerability, based on a range of indicators (including occupations, deprivation, income etc)
    - Skill levels
    - Dependence on employment sectors considered 'at risk'
    - Gross Value Added per job
    - Export values.

12. An example of one of the dashboards is attached as an Appendix. The dashboards follow the same format in all cases and all 22 are being uploaded onto the WLGA website. Dashboards for the four regions have also been produced and will be available on the WLGA website.

13. Finally, the updated toolkit follows the same broad structure as last year, looking at the local authority's responsibilities as an organisation in its own right, as a service deliverer and as a community leader. The checklists will hopefully assist local authorities in assessing the steps they have taken to date. WLGA is meeting with LAs' EU transition co-ordinators on a monthly basis at present to ensure that there is sharing of good practice and ideas.

Recommendations

14. It is recommended that Members note and comment on:

    - local authority readiness for the ending of the transition period and
    - the materials produced by Grant Thornton to assist preparations.

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Local Authority Brexit Dashboards

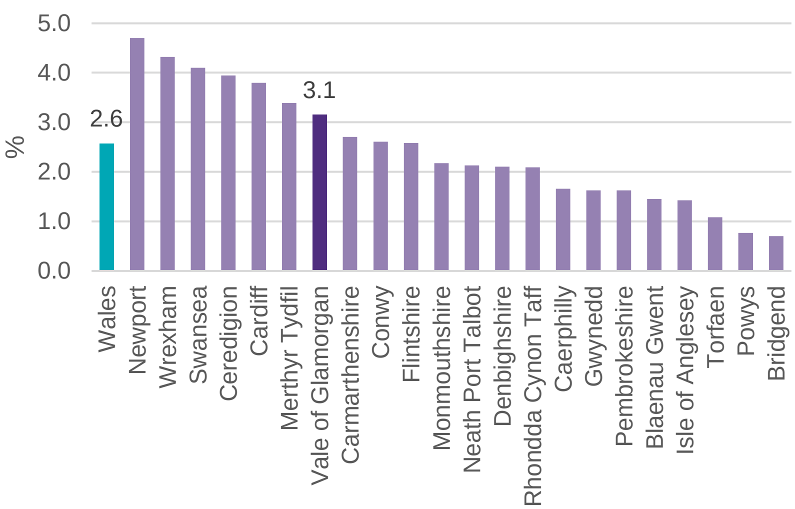
Vale of Glamorgan

2020 update

Vale of Glamorgan. People

EU residents

Proportion of population that are non-UK EU born residents



Long-term international migration

'Net migration' shows how many more people are coming to live in the UK than leaving the UK to live abroad

Net migration (total)
Wales: 7,812
UK: 230,514

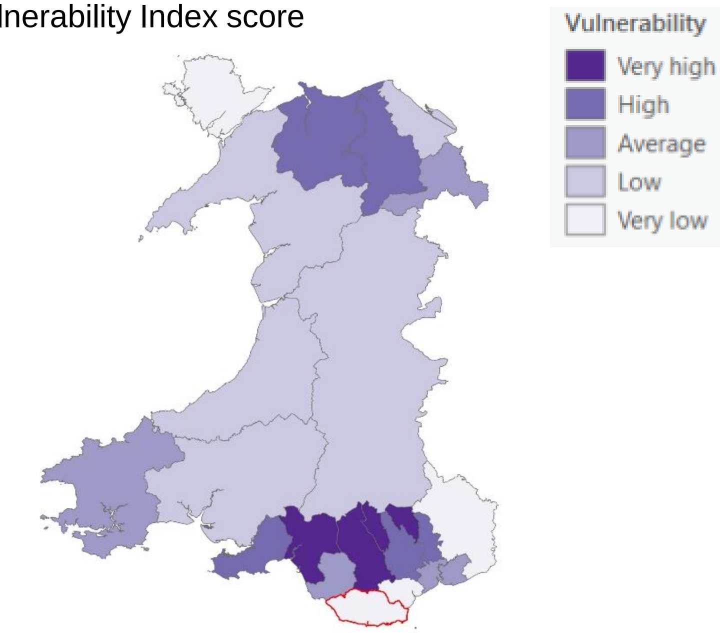
Vale of Glamorgan
210

Net migration (per 1,000 pop)
Wales: 2.5
UK: 3.5

Vale of Glamorgan
1.6

Community Vulnerability Index

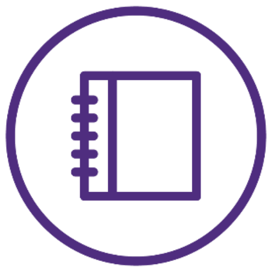
Vulnerability Index score



Skills

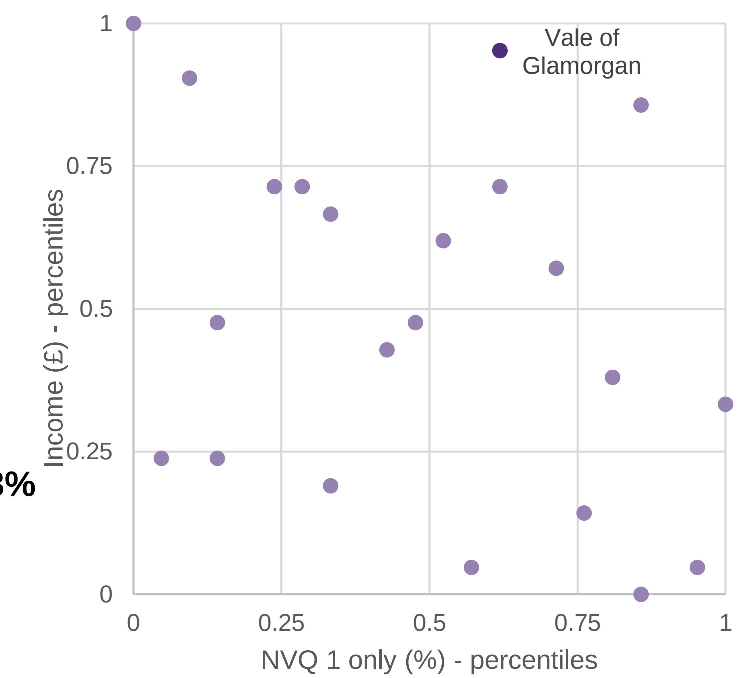
"Those with fewer formal qualifications, are more likely to be employed in the most exposed industries"
Institute of Fiscal Studies, 2018

No qualifications
Vale of Glamorgan: 5.2%
Wales: 8.5%
UK: 7.9%



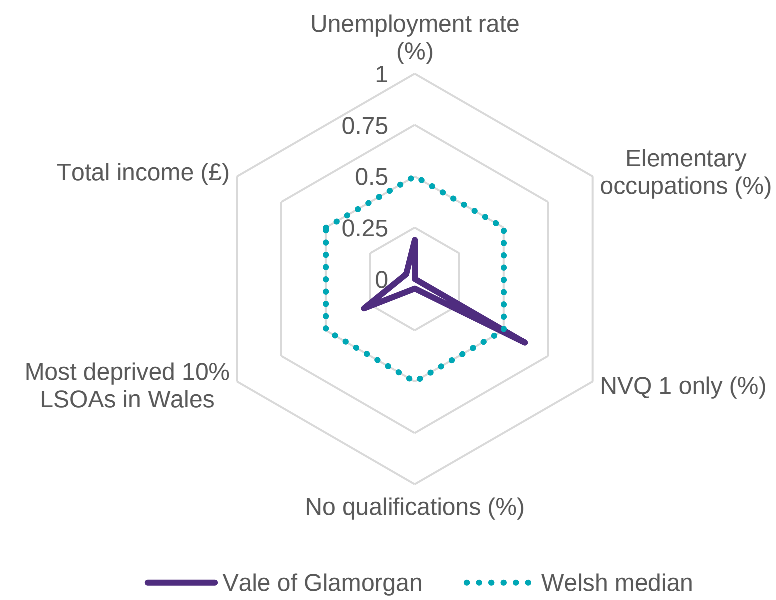
NVQ 1
Vale of Glamorgan: 12.3%
Wales: 11.2%
UK: 9.9%

Low skills vs. Income



Community Vulnerability Index Profile

Larger the shape, the higher the vulnerability



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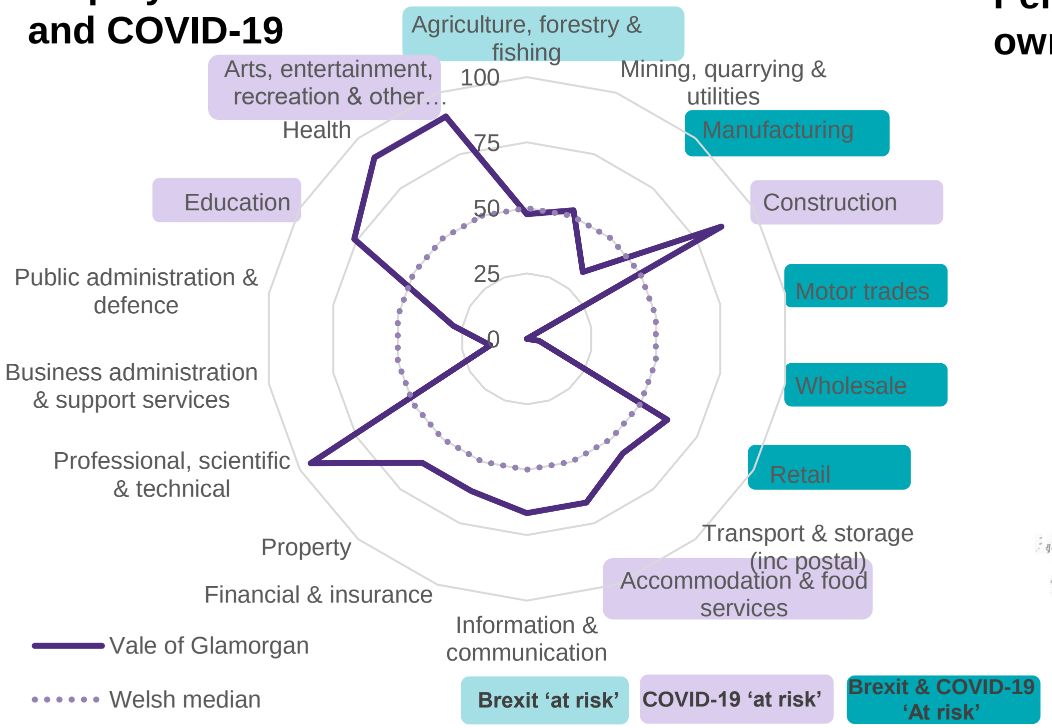
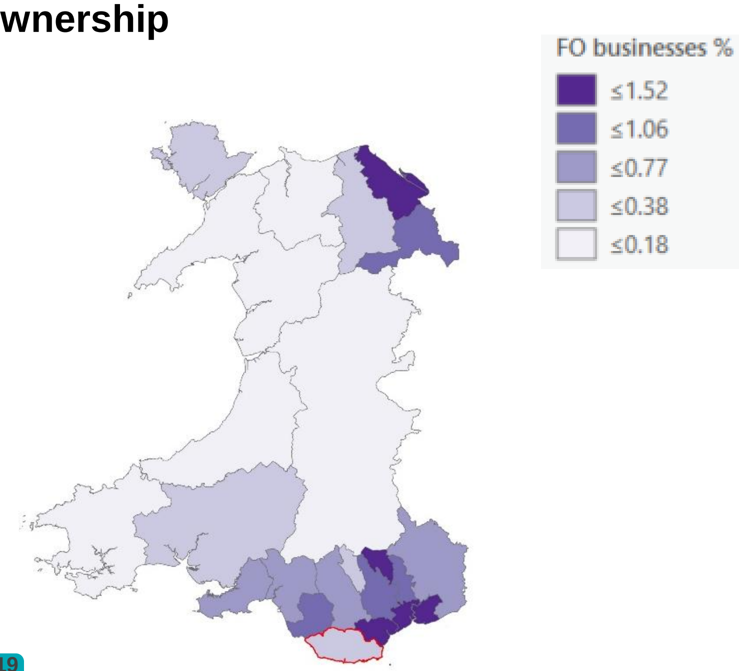
Vale of Glamorgan. Economy

Employment sectors – At risk from Brexit and COVID-19



Percentage of all businesses with foreign ownership



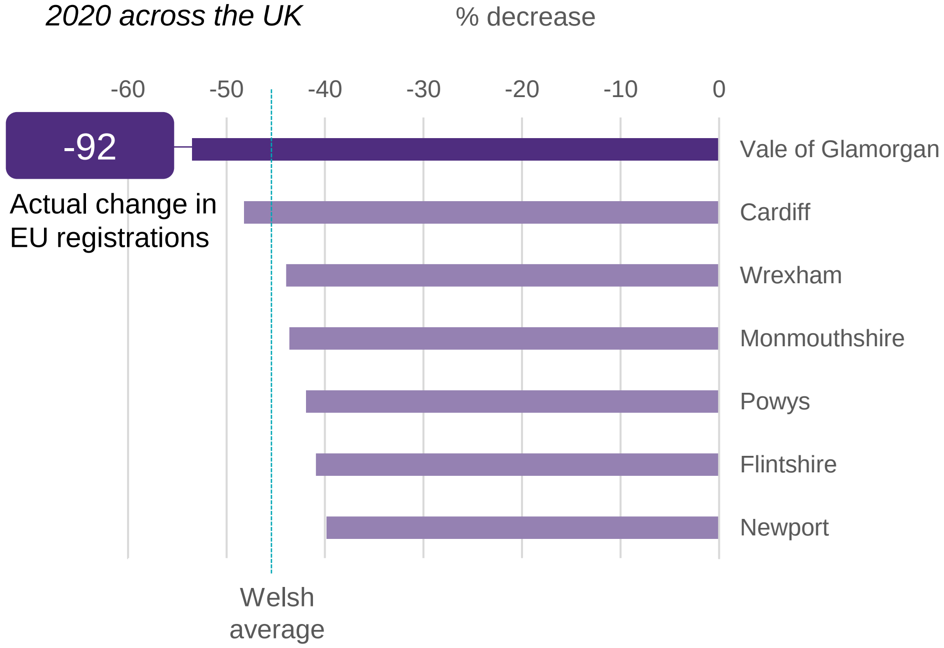
Gross Value Added per job

GVA per filled job
Vale of Glamorgan: £53,406
Wales: £46,132
UK: £56,387

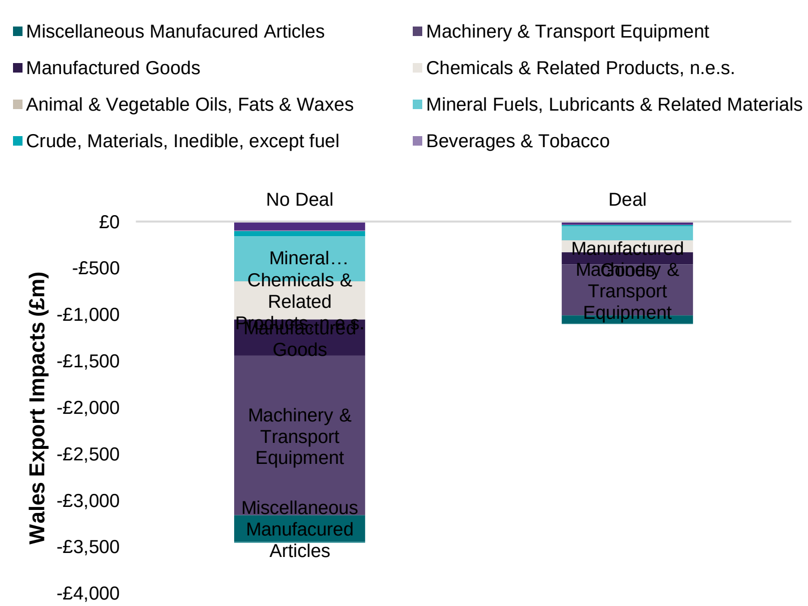
Rank out of 22 Welsh authorities…
1st

National Insurance Number (NINo) registrations

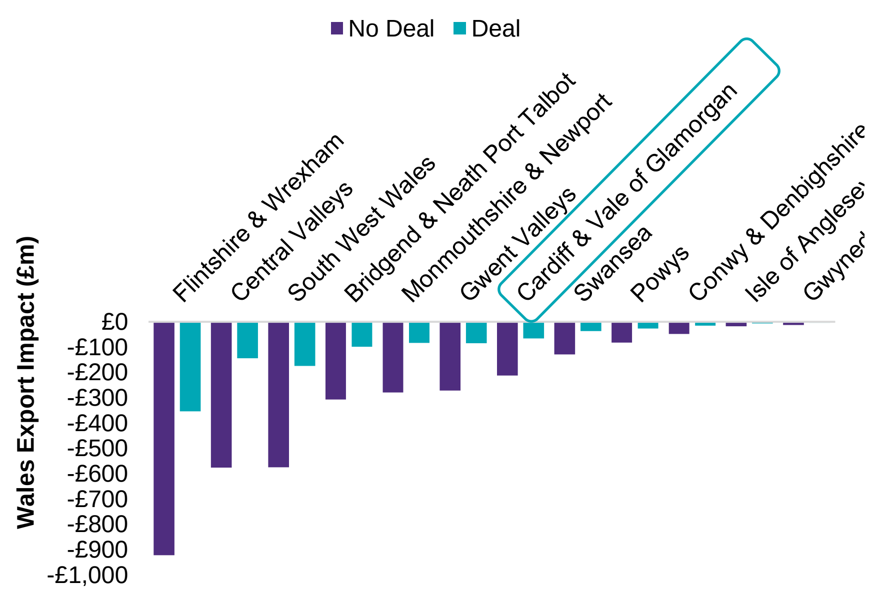
47% reduction in EU registrations between June 2016 and June 2020 across the UK



Export impact value ('No-deal' & 'Deal') by SITC codes, Wales, (Annualised, £m)



Total Export impact value by Welsh NUTS3 Regions (Annualised, £m)



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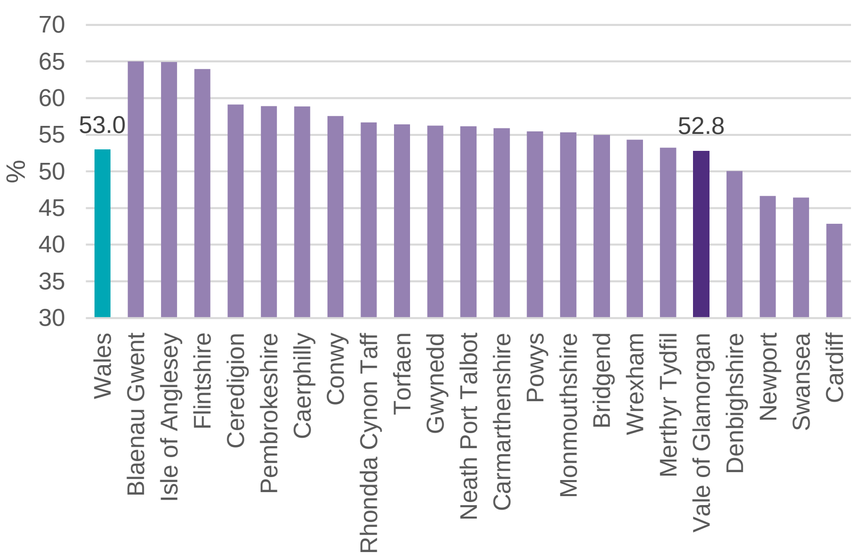
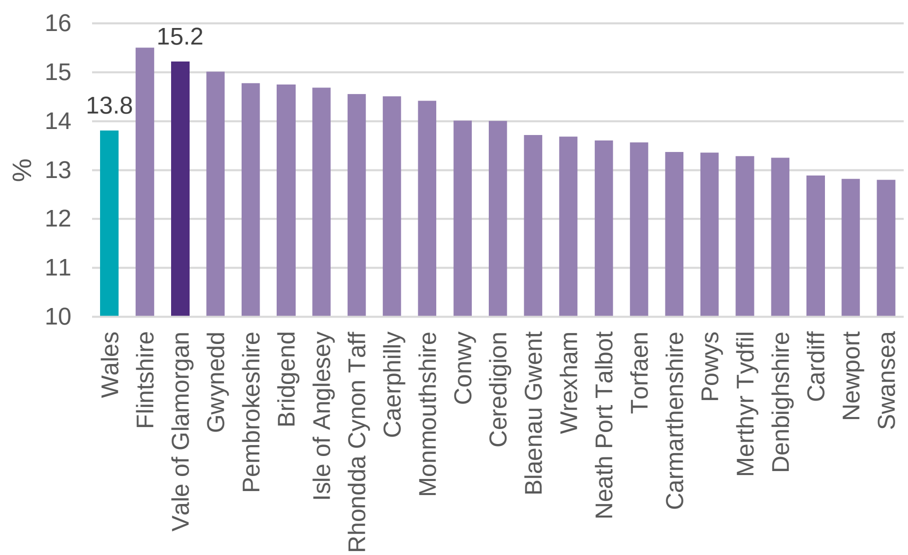
Vale of Glamorgan. COVID-19

Percentage of employment in COVID-19 ‘at risk’ sectors



Estimated decline in total annual GVA resulting from COVID-19

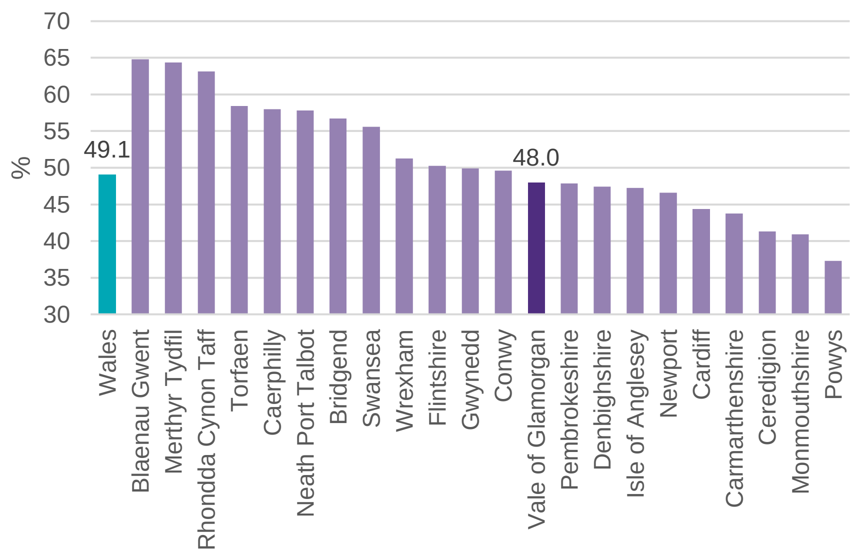


Government support take-up rate

Coronavirus Job Retention Scheme
Vale of Glamorgan: 29%
Wales: 31%
UK: 32%

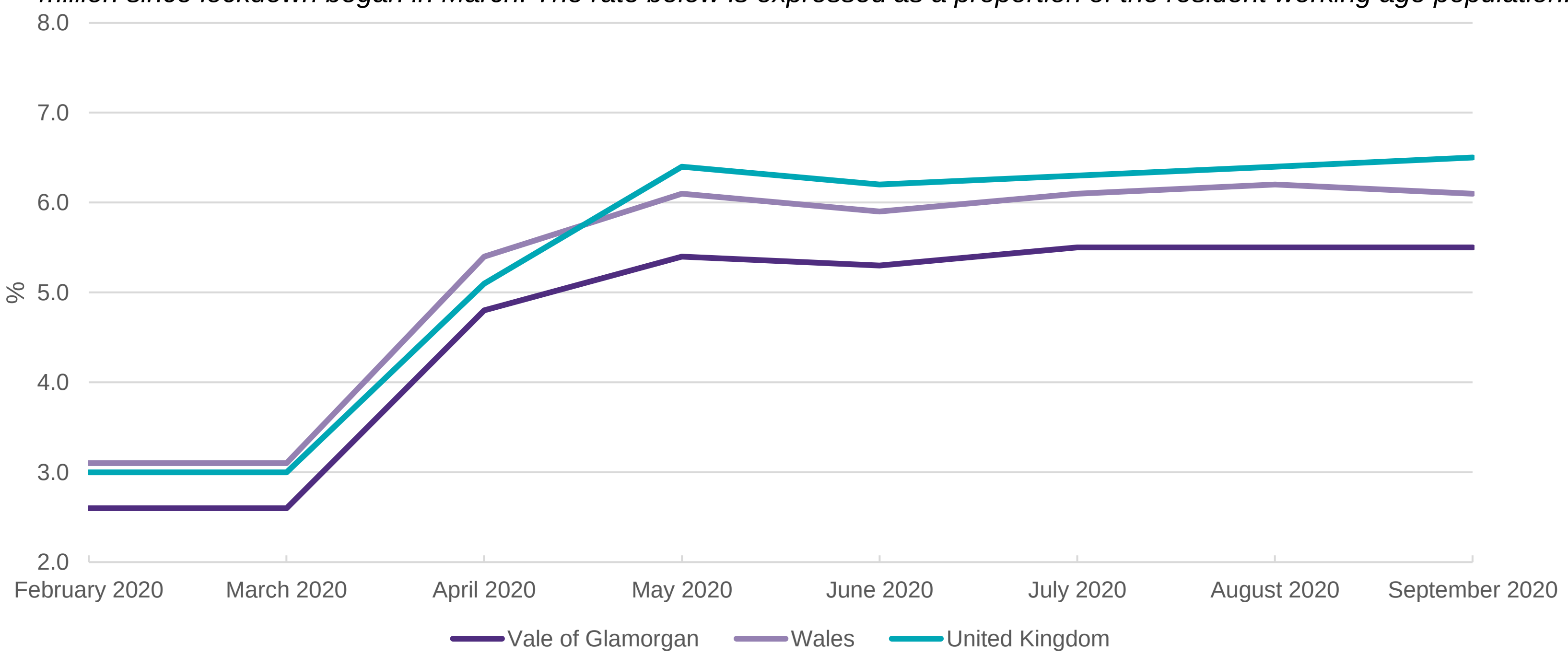
Self-Employment Income Support Scheme
Vale of Glamorgan: 79%
Wales: 78%
UK: 77%

Percentage of businesses in COVID-19 ‘at risk’ sectors



Claimant rate (Feb 2020 to Sept 2020)

The number of people claiming unemployment related benefits in the UK reached 2.7 million in September, an increase of 1.5 million since lockdown began in March. The rate below is expressed as a proportion of the resident working age population.



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Vale of Glamorgan. Summary

Key findings

- Compared to other authorities in Wales, the Vale of Glamorgan has a relatively high proportion of its population who were born in the EU, at 3.1%, which compares to a Welsh average of 2.6%.
- The Vale of Glamorgan ranks in the bottom 20% on our Community Vulnerability Index, indicating very low levels of social vulnerability to Brexit.
- The resident population are less exposed to the impacts of Brexit as they have higher levels of income, lower deprivation and low levels of unemployment.
- The Vale of Glamorgan has experienced the greatest decline in EU NINO registrations of the comparator group, decreasing by 52.5% between 2016 and 2020.
- The Vale of Glamorgan has very high levels of employment in Construction and Arts, entertainment and recreation which are both recognised as ‘at risk’ sectors in relation to both Covid-19. It also has a high proportion of employment in retail which is ‘at risk’ in relation to both Brexit and COVID-19.
- Productivity, as measured by GVA per job, is very high, ranking the Vale of Glamorgan first out of all Welsh authorities.
- In terms of COVID-19, Vale of Glamorgan has a relatively low proportion of people employed in ‘at risk’ sectors and an average proportion of businesses in ‘at risk’ sectors.
- However, the estimated decline in GVA as a result of COVID-19 is predicted to be very high at 15.2% which is the second highest of all Welsh local authorities.
- Whilst claimant rate has risen since March this has remained below the Welsh and UK average.
- Furlough take-up rate in the Vale of Glamorgan has been below average, but self-employment income support take-up rate is just above.

Key implications

To add once Toolkit finalised

Data sources

Indicator	Output	Why include?	Source
EU born residents	Bar chart shows proportion of residents that are born in the EU compared to other authorities in the region and the Welsh average.	EU migrants form a crucial part of the economy. In order to understand the potential impacts of changes in migration, it is important to have an overview of what proportion of the current population is made up of EU born residents.	ONS, Population of the UK by country of birth and nationality (Dec 2019)
No qualifications, NVQ 1 only	Factoid showing the proportion of working age residents with no qualifications and the proportion of working age residents qualified to NVQ 1 only.	A study by the Institute of Fiscal Studies found that those with fewer formal qualifications are more likely to be employed in the most exposed industries.	Annual Population Survey (Dec 2019)
Community Vulnerability Index	Thematic map shows overall performance on the 'Community Vulnerability Index' relative to the rest of Wales. Spider chart shows how the area performs on the individual measures, relative to the national median.	Our 'Community Vulnerability Index' takes into account factors which are most likely to impact on a place's ability to adapt in a post-Brexit world, including unemployment, low skills, low level occupations, no qualifications, income and deprivation. NB: Income has been inversed in the spider chart so that a point towards the outer edge of chart indicates lower income levels.	Annual Population Survey (June 2020, Dec 2019); Survey of Personal Incomes (2018); Welsh Index of Multiple Deprivation (2019);
Long-term International migration	Factoid showing net long-term international migration	Changes to the free movement of people could have significant impacts on international migration into areas.	ONS, Local area migration indicators, UK (2019)
National Insurance Number (NINo) registrations	Bar chart to see how the number of new registrations has changed between referendum and now.	NINo numbers are often used an indicator for the number of migrants moving into a geographical area for work. This is an important consideration given the contribution that EU workers make to the economy.	NINo registrations to adult overseas nationals entering the UK by Region / Local Authority and world region - registrations year to June 2020, DWP (June 2020)
Employment sectors	Spider chart showing proportional employment in different sectors.	Some employment sectors are more vulnerable to the impacts of Brexit and COVID-19, therefore it is important to understand which sectors are most prominent and whether these are any of these are high risk.	Business Register and Employment Survey (2019)
Foreign Owned businesses	Map showing the proportion of businesses that are foreign owned.	High dependence on foreign owned businesses could pose a risk as there is uncertainty as whether some of these businesses will remain within the UK or relocate.	FAME, Bureau Van Djik (2019)
GVA per filled job	Bar chart showing GVA per job	GVA per filled job provides a direct comparison between the level of economic output and the direct labour input of those who produced that output. The level of productivity is useful to consider as it is a current weakness in the UK economy and may be further hindered post-Brexit.	Nominal (smoothed) GVA (B) per filled job (£); Local Authority District (2018)
Trade impacts	Bar charting showing the total Export Annualised Impact in a Deal and No deal scenario by Welsh NUTS 3 Regions (£m), NUTS 3 Regions	It is important to consider the scale and nature of the trade impacts that could results under both a 'Deal' and 'No Deal' scenario. This will vary by region, which is reflective of both the exporting intensity difference between areas as well as the differences in their sectorial composition.	HMRC & Grant Thornton Analysis. Note: The data doesn't include the impact on WA BTTA, WA Energy exports & WA Other

Data sources (cont.)

Indicator	Output	Why include?	Source
Employment in COVID-19 'at risk' sectors	Bar chart showing percentage of employment in COVID-19 'at risk' sectors compared to the Welsh average.	The sectoral make-up of areas will have a strong influence on the economic impacts of COVID-19. For example areas with a high proportion of the workforce employed in accommodation and food services will be more heavily impacted than area with high levels of professional and technical workers. .	GT calculation based on: Business Register and Employment Survey (2019)
Businesses in COVID-19 'at risk' sectors	Bar chart showing percentage of businesses in COVID-19 'at risk' sectors compared to the Welsh average.	The sectoral make-up of areas will have a strong influence on the economic impacts of COVID-19. For example areas with a high proportion of the workforce employed in accommodation and food services will be more heavily impacted than area with high levels of professional and technical workers.	GT calculation based on: UK Business Counts (2020)
Estimated decline in total annual GVA resulting from COVID-19	Bar chart showing estimated percentage reduction in annual GVA under COVID-19 scenario. The modelled GVA data is based on OBR output losses by sector in 2nd quarter of 2020. A higher figure indicates greater vulnerability.	The level of productivity is useful to consider as it is a current weakness in the UK economy and may be further hindered post-Brexit. The economic productivity of sectors will vary between areas and therefore it is important to consider the knock on impacts of COVID-19 on GVA alongside employment risks.	GT calculation based on: ONS, Regional gross value added (balanced) local authority by NUTS 1 region: UKL Wales (2018) and OBR output losses table
Coronavirus Job Retention Scheme (CJRS) take up rate	Factoid showing take up rate relative to Welsh and UK average.	Certain sectors have been more heavily impacted by COVID-19 than others and as a result a high level of employees have had to be put on furlough. This measure therefore gives an indication of the immediate impacts that COVID-19 is having on local areas.	ONS, Coronavirus Job Retention Scheme (CJRS) Statistics: August 2020
Self-Employment Income Support Scheme (SEISS) take up rate	Factoid showing take up rate relative to Welsh and UK average.	Research has shown that self-employed people are more at risk to the economic impacts of COVID-19. This new dataset gives an early indication of the level of self-employed people in an area who are requiring support.	ONS, Self-Employment Income Support Scheme (SEISS) Statistics: August 2020